

# F.08 Investment Policy

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- 1 OBJECTIVE ..... 1**
- 2 SCOPE ..... 1**
- 3 STATEMENT..... 1**
  - 3.1 Legislative Authority .....1
  - 3.2 Background .....1
  - 3.3 Investment Objectives .....1
  - 3.4 Investment Guidelines .....2
  - 3.5 Internal Control.....3
- 4 DEFINITIONS..... 4**
- 5 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS..... 4**

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- CEO Chief Executive Officer
- MCCS Manager Corporate & Community Services
- MES Manager Engineering Services
- MFS Manager Financial Services

## 1 OBJECTIVE

This policy provides Council with a contemporary investment policy based on the legislative framework of the Statutory Bodies Financial Arrangements Act 1982 and the Statutory Bodies Financial Arrangements Regulations 2007.

The objectives of this policy are:

- To invest Council funds not immediately required for financial commitments.
- To maximise earnings from authorised investments of cash reserves after assessing counterparty, market and liquidity risks.
- To ensure that appropriate records are kept and that adequate internal controls are in place to safeguard public monies.

## 2 SCOPE

This policy applies to all investments made by Council.

## 3 STATEMENT

### 3.1 LEGISLATIVE AUTHORITY

Section 104(5) of the Local Government Act 2009 under Chapter 4 Finances and Accountability requires as part of the Long Term Financial Plan an Investment Policy.

Section 191 of the Local Government Regulation 2012 sets out the requirements of the policy and states that a local government must prepare an investment policy each financial year.

Statutory Bodies Financial Arrangements Act 1982 sets out investment powers for statutory bodies.

Schedule 3 of Statutory Bodies Financial Arrangements Regulation 2007 allocates Quilpie Shire Council category 1 investment powers.

### 3.2 BACKGROUND

Council has a number of responsibilities when investing funds. These responsibilities are outlined in Section 47 and Section 48 of the *Statutory Bodies Financial Arrangements Act 1982*.

Section 47 states:

- (1) *A statutory body must use its best efforts to invest in funds:*
- (a) At the most advantageous interest rate available to it at the time of the investment for an investment of the proposed type; and
  - (b) In a way it considers most appropriate in all the circumstances.
- (2) The statutory body must keep records that show it has invested in the way most appropriate in all the circumstances.

Section 48 states that:

A security, safe custody acknowledgment or other document evidencing title accepted, guaranteed or issued for an investment arrangement must be held by the statutory body or in another way approved by the Treasurer.

### 3.3 INVESTMENT OBJECTIVES

Quilpie Shire Council's overall objective is to invest its funds at the most advantageous rate of interest available to it at the time, for that investment type, and in a way that it considers most appropriate given the circumstances.

In priority, the order of investment activities shall be preservation of capital, liquidity, and return.

### 3.4 INVESTMENT GUIDELINES

#### 3.4.1 Types of Investments

Section 44 of the *Statutory Bodies Financial Arrangements Act 1982* states Council's investment power as follows:

1. Category 1 investment power is the power to invest in all or any of the following—
  - a. deposits with a financial institution;
  - b. investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
  - c. other investment arrangements secured by investment arrangements accepted, guaranteed or issued by or for the Commonwealth or a State or a financial institution;
  - d. investment arrangements, managed or offered by QIC or QTC, prescribed under a regulation for this paragraph;
  - e. an investment arrangement with a rating prescribed under a regulation for this paragraph;
  - f. other investment arrangements prescribed under a regulation for this paragraph.
2. However, the investment must be—
  - a. at call; or
  - b. for a fixed time of not more than 1 year.

#### 3.4.2 Limitation on Investment Power

Section 43 of the *Statutory Bodies Financial Arrangements Act 1982* states that investments must be:

1. in Australian money; and
2. undertaken in Australia.

#### 3.4.3 Portfolio Investment Parameters and Credit Requirements

The following table shows the credit ratings and counterparty limits for Quilpie Shire Council:

Short Term Rating (Standard & Poor's) or equivalent	Individual counterparty Limit	Total Limit (Max % of Portfolio)
A1+	100%	100%
A1	10%-20%	50%
A2 – Financial Institutions only	5%-15%	30%
A3 – Financial Institutions only	2%-7%	10%
Unrated	Nil	Nil
QIC/QTC Pooled Cash Management Funds	100%	100%

A Financial Institution is defined as an authorised deposit taking institution within the meaning of the *Banking Act 1959 (Commonwealth)*, Section 5.

It is noted that for the purpose of this investment portfolio, the percentage limits apply effective from the date of purchase as a percentage of the total value of the portfolio.

Whenever an investment is proposed, a minimum of two (2) quotes will be obtained from authorised institutions achieving as Standard & Poors or Moody rating of “AA” or better.

The institution offering the best quotation, net of costs, will generally be successful in attracting Council’s investment. However Council may deviate from this arrangement in situations where it wishes to support local financial institutions, whose investment interest rate may not match its competitors.

Investments held with the Queensland Treasury Corporation Cash Fund will be benchmarked against other investments or quoted investment rates at the end of each calendar month to ensure Council is receiving the most advantageous rate given the risk/return trade off.

#### **3.4.4 Investments with Local Banks**

Notwithstanding any other clause in this policy the investment officers/employees shall give preference to lodging Council cash investments through any bank that maintains a full time branch presence in Quilpie Shire. In making this decision Council acknowledges that the intention is to maintain the viability of a local bank hence in turn providing full banking services to the residents of Quilpie Shire.

#### **3.4.5 Maturity**

The maturity structure of the portfolio will reflect a maximum term to maturity of one year and includes an interest rate reset of no longer than six months.

#### **3.4.6 Liquidity Requirement**

Given the nature of the funds invested, at least 10 percent of the portfolio is to be available with 24 hours’ notice.

#### **3.4.7 Breaches**

Any breach of this Investment Policy is to be reported to the Chief Executive Officer and, if required, rectified as soon as practicable. The Finance Manager will report any breach that needs to be rectified to Council at the next meeting.

Where Council holds an investment that is downgraded below the minimum acceptable rating level, as prescribed under regulation for the investment arrangement, Council shall within 28 days after the change becomes known, either obtain Treasurer’s approval for continuing with the investment arrangement or sell the investment arrangement (including, for example, withdrawing a deposit).

#### **3.4.8 Records**

For audit purposes, certificates must be obtained from the financial institution holding the funds, confirming the amounts of investment held on Council’s behalf at 30 June each year or alternatively certificates of deposits as and when made will be held on file.

#### **3.4.9 Reporting**

If there is a change to the make-up of the investment portfolio, Council will be advised at the next Council meeting.

On an annual basis, the Investment Policy will be reviewed and amended where required; any amendments are to be approved by Council prior to the implementation of the revised investment policy.

### **3.5 INTERNAL CONTROL**

Council is at all times to have in place appropriate controls to prevent the fraudulent use of public monies. The following controls detail the minimum that is required:

- A person is to be identified as the responsible officer for the investment function;
- All investments are to be authorised by the Finance Manager or in that person’s absence, the Chief Executive Officer;
- Confirmation advices from the Financial Institution are to be recorded in Council’s Record Management System;
- Investment Officers shall refrain from personal activities that would conflict with the proper execution of Council’s investment portfolio. This policy requires Investment Officers to disclose to the Chief Executive Officer any conflict of interest that could be related to the investment portfolio.

Council is at all times to comply with the legislation applicable to the investment function within Local Government. Council will utilise its Category 1 investment powers to earn interest revenue on its operating funds to supplement Council’s other sources of revenue. Further, Council will maintain appropriate internal controls to prevent the fraudulent use of public monies.

The policy for the investment of Council funds is to be documented and followed at all times.

#### 4 DEFINITIONS

Nil

#### 5 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS

*Local Government Act 2009*

*Local Government Regulation 2012*

*Statutory Bodies Financial Arrangements Act 1982*

*Statutory Bodies Financial Arrangements Regulations 2007*

IX #	Details